

Message Text

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PAGE 01 GENEVA 10343 01 OF 02 081212Z
ACTION EB-08

INFO OCT-01 SS-15 ISO-00 ONY-00 SSO-00 /024 W
-----065381 081219Z /45

P 081152Z JUL 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 1780

C O N F I D E N T I A L SECTION 01 OF 02 GENEVA 10343

STADIS////////////////////////////////

FROM KATZ FOR E JOHNSTON AND F B HORMATS ONLY

E.O. 11652: GDS
TAGS: ESTC
SUBJECT: EXPORT CONTROL POLICY

REF: STATE 170326

1. I CONTINUE TO BELIEVE THAT PROBLEM WITH COMMERCE ON EXPORT CONTROLS IS SUBSTANTIVE RATHER THAN PROCEDURAL. IN ABSENCE OF OVERALL EXPORT POLICY, COUNTRY DESKS, GEOGRAPHIC BUREAUS AND OTHER DEPARTMENT UNITS, INCLUDING EB HAVE TAKEN INCREASINGLY FREQUENT ACTIONS TO DENY OR DELAY EXPORT LICENSES FOR SPECIFIC COUNTRIES OR PRODUCTS. THESE ACTIONS HAVE BEEN SOMETIMES INCONSISTENT (E.G. 727S FOR LIBYA) AND OVERALL IMPACT ON BUSINESS COMMUNITY HAS BEEN IMPRESSION THAT DEPARTMENT REACTS TO MOMENTARY POLITICAL PRESSURES RATHER THAN PURSUING CONSIDERED POLICY. I AM PLEASED, THEREFORE, TO SEE RECOGNITION IN TARNOFF MEMO ON NEED FOR CONSIDERATION UNDERLYING POLICY AS WELL AS PROCEDURE. POLICY SHOULD, HOWEVER, BE BASIS FOR PROCEDURAL PROPOSALS RATHER THAN AFTERTHOUGHT AS IN TARNOFF OUTLINE.

2. ROOT DRAFT MEMO OF JULY 3 SHOULD FORM CORE OF POLICY
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MEMO. I DO NOT, HOWEVER, BELIEVE THAT POLICY ISSUES SHOULD BE DECIDED IN BRIEFING MEMO FOR MEETING HARMON WHO, IN ANY CASE, MAY NOT BE APPROPRIATE COMMERCE PRINCIPAL ON EXPORT CONTROL POLICY. I BELIEVE THAT EXPORT POLICY ISSUE IS OF SUCH IMPORTANCE THAT IT SHOULD BE THOROUGHLY CONSIDERED IN DEPARTMENT, ULTIMATELY I HOPE BY SECRETARY, BEFORE DISCUSSION OF PROCEDURE WITH COM-

MERCE. I STRONGLY URGE THEREFORE THAT HARMON MEETING
BE DEFERRED UNTIL THERE IS FULL OPPORTUNITY FOR
CONSIDERATION BY SEVENTH FLOOR PRINCIPALS.

3. FOLLOWING ARE SUGGESTED CHANGES IN ROOT JULY 3 DRAFT:

--DELETE LAST SENTENCE PARA 2 PAGE 1 AND SUBSTITUTE
FOLLOWING: QUOTE ALTHOUGH EACH OF THE CONTROL PROGRAMS
HAS STRONG POLICY JUSTIFICATION, WE NEED TO WEIGH THE
PRACTICAL EFFECTS OF EXPORT DENIAL ON THE OBJECTIVES OF
THESE CONTROL PROGRAMS AGAINST THE HARM DONE TO OUR
EXPORT PERFORMANCE AND TO THE OBJECTIVES OF OUR FOREIGN
ECONOMIC POLICY. THIS IS NOT TO SUGGEST THAT THE CON-
FLICTS BETWEEN EXPORT POLICY MUST ALWAYS BE RESOLVED
IN FAVOR OF THE FARMER. NEITHER IS IT APPROPRIATE TO
RELEGATE EXPORT POLICY TO THE LOWEST RUNG ON THE
PRIORITY LADDER, AS AT PRESENT UNQUOTE.

--FOLLOWING PARA 2 ADD NEW PARA. QUOTE IN PRESENT
ADMINISTRATION OF EXPORT CONTROLS ESPECIALLY THOSE CON-
NECTED WITH HUMAN RIGHTS CASES THERE IS AN ALMOST AUTO-
MATIC DELAY OR DENIAL OF EXPORTS TO POLICE OR MILITARY
CONSIGNEES REGARDLESS OF THE NATURE OF THE EXPORTS. THUS,
WE HAVE HELD UP SHIPMENTS OF WORKGLOVES, FLIGHT COVERALLS,
SAFETY AND MEDICAL EQUIPMENT, ETC. AND ONCE THERE HAS
BEEN A DELIBERATE DELAY OR DENIAL, IT IS ARGUED THAT NO
FURTHER GOODS OF THE EMBARGOED CATEGORY MAY BE APPROVED
LEST WE CONVEY "A SIGNAL" UNQUOTE.

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--ADD QUOTE OF CURRENT PRACTICE UNQUOTE AFTER QUOTE EFFECT
UNQUOTE IN FIRST LINE PAGE 2 UNQUOTE.

--PRECEDE FOURTH SENTENCE PARA 1 PAGE 2 WITH FOLLOWING
QUOTE BECAUSE OF THE DENIAL OF SPARE PARTS AND FOLLOW-UP
ORDERS FOR SYSTEMS PREVIOUSLY SUPPLIED UNQUOTE.

--SUBSTITUTE FOLLOWING FOR SIXTH SENTENCE QUOTE BUSINESS-
MEN HAVE COMPLAINED TO US AND TO COMMERCE THAT BECAUSE
OF WHAT SEEMS TO THEM TO BE CAPRICIOUS POLICY CHANGES
BY THE GOVERNMENT THEY ARE BECOMING INCREASINGLY DIS-
ENCHANTED ABOUT PURSUING EXPORT MARKETS. NEW ENTRANTS
ARE SIMILARLY DISCOURAGED UNQUOTE.

--SUBSTITUTE FOR SEVENTH SENTENCE QUOTE WE NEED ALSO TO
BE CONCERNED ABOUT THE EFFECTS OF OUR DENIAL POLICIES ON
US TECHNOLOGICAL ADVANCEMENT. DEPRIVAL OF EXPORT
MARKETS, PARTICULARLY FOR INDUSTRIES FACING LOW INVESTMENT
DEMAND IN THE US, WILL IMPEDE RESEARCH AND
DEVELOPMENT.

--PRECEDE LAST SENTENCE WITH QUOTE FINALLY, WE SHOULD BE
AWARE THAT...UNQUOTE.

--INSERT QUOTE MOST OFTEN UNQUOTE AFTER QUOTE THAT UNQUOTE
IN FOURTH LINE FROM BOTTOM PG 2.

--ADD TO SECOND PARA PAGE 2 QUOTE THUS THE DENIAL OF US

EXPORTS CAN DEMONSTRATE DISPLEASURE WITH A COUNTRY'S BEHAVIOUR, BUT AN US DENIAL ACTION MAY HAVE THE NEGATIVE EFFECT OF DRIVING THAT COUNTRY TO ALTERNATIVE, MORE RELIABLE SUPPLIERS, UNQUOTE.

--IN SECOND SENTENCE PARA 1 PAGE 3 ADD AFTER QUOTE WHERE UNQUOTE QUOTE FOREGOING AN EXPORT OPPORTUNITY RESULTS IN AN EFFECTIVE DENIAL OF THE GOODS TO THE COUNTRY IN QUESTION AND WHERE...UNQUOTE.

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ACTION SS-15

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C O N F I D E N T I A L SECTION 02 OF 02 GENEVA 10343

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FROM KATZ FOR E JOHNSTON AND F B HORMATS ONLY

--IN LAST SENTENCE PARA 1 ADD AFTER QUOTE SHIFT UNQUOTE
QUOTE WE NOT ONLY JEOPARDIZE IMPORTANT ECONOMIC INTERESTS
BUT UNQUOTE.

4. FOLLOWING ESSENTIAL FACTORS SECTION WE NEED NEW SECTION ADDRESSED TO PROCEDURAL ISSUES. IN THIS NEW SECTION SUGGEST INCORPORATION POINTS CONTAINED TAB B OF ROOT JULY 3 MEMO. I QUESTION HOWEVER WHETHER SECTION ON STRATEGIC EXPORT CONTROLS SHOULD BE RAISED AT THIS TIME.

5. IN TAB 1 DEALING WITH EFFECTS, \$1.2 BILLION DOLLARS FIGURE IS ASSIGNED TO SOUTH AFRICA. SHOULDN'T THIS BE ARGENTINA? ALSO PARA 6 SHOULD POINT UP RELIABILITY ISSUE. PARA 7 NEEDS EXPANSION TO DESCRIBE CURRENT EFFECTS OF LOST SALES. PARAS 8 AND 9 SHOULD MAKE CLEAR THAT THESE EFFECTS ARE REAL AND NOT MERELY SPECULATION. AGAIN PARA 13 SHOULD DRAW CONNECTION WITH POINT ON RELIABILITY OF US AS SUPPLIER. FIRST SENTENCE PARA 12 SHOULD BE REVISED AS FOLLOWS: QUOTE IT IS NOT YET ARGUED THAT WE SHOULD CONTROL THE EXPORT ETC UNQUOTE. ADD AS SECOND SENTENCE

QUOTE PENDING LEGISLATION WOULD HOWEVER DENY EXIMB
FINANCING FOR SUCH EXPORTS UNQUOTE. DROP QUOTE HOWEVER
UNQUOTE FROM NEXT SENTENCE.
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6. PLEASE CABLE TEXT CLEAN DRAFT. VANDEN HUEVEL

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